WASHINGTON STATE DEPARTMENT OF REVENUE ATTORNEY GENERAL OF WASHINGTON



NEWS



FOR IMMEDIATE RELEASE

For more information, contact: Mike Gowrylow, Department of Revenue (360) 753-7624, pager (360) 413-2849

Lana Martuscelli, Assistant Attorney General (206) 464-6430

Siding contractor charged with felony sales tax evasion

EVERETT, Wash., **March 22, 2001** — The operators of Pacific Siding Company of Bothell were charged today with eight counts of first degree theft in connection with the alleged theft of nearly \$255,000 in state and local sales taxes.

Lana Martuscelli of the Criminal Justice Division of the Attorney General's office filed the felony charges in Snohomish County Superior Court against Melinda L. Miller and Stephan A. Johnson, both 43. The charges carry a maximum penalty of 10 years in prison and a \$20,000 fine.

Arraignment has been set for 3 p.m. April 26 before Judge Ronald Castleberry in Snohomish County Superior Court.

According to charging papers, the two collected retail sales tax from customers in 1998 and 1999 but failed to remit that tax to the state as required by law. They also reported to the Department of Revenue that the company had done no taxable business during that period. However, an audit conducted by the Department later found that they had done \$3.3 million in construction work on which they collected \$254,848 in sales tax. Much of the work involved replacing defective siding as the result of a class action lawsuit against Louisiana Pacific Corporation.

After being audited, Miller and Johnson told a Department of Revenue representative that they intended to pay the sales tax eventually but hadn't done so because the company was losing money and the sales tax trust funds were used to pay employees. However, the audit found that a substantial percent of the company's revenues were paid to a separate company operated by Johnson, and more than half of

those payments appeared to have been used by Johnson for personal living expenses and investments. Had these payments not been made, the company would have turned a profit in 1998 and 1999, according to an affidavit.

The affidavit further states that an audit by the Department of Labor & Industries determined that Pacific Siding also understated its employees' time by 26,229 hours, resulting in additional industrial insurance premiums, penalties and interest totaling nearly \$127,000.

The Criminal Justice Division of the Attorney General's Office investigates tax-related white collar crime. Its principal investigator is Darryl Roosendaal, (206) 464-6430.

###

Page 3

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users please call 1-800-451-7985.